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INFO OCT-01 ISO-00 OMB-01 TRSE-00 CIAE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2026

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AMEMBASSY BRUSSELS

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TAGS: MCAP-NL, NATO, PFOR

SUBJECT: 1974 DEFENSE BUDGET

REF: A. THE HAGUE 4134

B. THE HAGUE 3215

1. SUMMARY: 1974 DEFENSE BUDGET SUBMITTED TO PARLIAMENT
SEPT. 18 IS PROVISIONAL DOCUMENT PENDING PUBLICATION OF GON
DEFENSE NOTE (WHICH WILL TAKE INTO ACCOUNT RESULTS OF SPECIALIZATION
STUDY) TOWARD END OF THE YEAR. IN BUDGET NOT DEFENSE MINISTER
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VREDELING EMPHASIZED CONTINUED REDUCTION ON OPERATIONAL EXPENSES.

BUDGET PROJECTS OVERALL EXPENDITURES FOR 1974 OF 5.9 BILLION GUILDERS OR 3.55 PERCENT OF ANTICIPATED NET NATIONAL INCOME IN 1974. THIS 3.55 PERCENT FIGURE REPRESENTS .22 PERCENT DECLINE FROM 1972 AND .5 PERCENT DECLINE FROM CURRENT YEAR, WHEN DEFENSE EXPENDITURES TOTALLED 5.2 AND 5.5 BILLION RESPECTIVELY. IN BUDGET NOTE DEF MIN STRESSED NATO WAS ONLY INTERNATIONAL ORGANIZATION

THAT GUARANTEED DUTCH SECURITY, BUT NOTED GON DOES NOT ACCEPT UNCRITICALLY WAY ALLIANCE IS FUNCTIONING. VREDELING POINTED OUT NEED FOR MORE EFFICIENCY IN DEFENSE ORGANIZATION STRESSING QUALITY NOT QUANTITY. DEFENSE MINISTER SAID MANY MODERN WEAPON SYSTEMS SUCH AS FIGHTER AIRCRAFT HAVE BECOME SO EXPENSIVE THAT "SMALL COUNTRIES LIKE NETHERLANDS WILL FIND IT IMPOSSIBLE TO PAY FOR LARGE NUMBERS OF THESE KINDS OF WEAPONS FOR THREE BRANCHES OF THE ARMED SERVICE." VREDELING EXPLAINED THIS WAS

RATIONALE BEHIND DUTCH SUGGESTION OF NATO SPECIALIZATION STUDY, AND SUGGESTED IT WOULD BE USEFUL IF NATO NAVAL FORCES WERE INCLUDED IN SPECIALIZATION STUDY. DEF MIN SAID THAT LOOKING TO 1974-1977, GOVERNMENT WILL ATTEMPT IMPLEMENT POLICY CHANGES WHICH MAKE IT UNNECESSARY FOR DEFENSE EXPENDITURES TO REFLECT GROWTH IN NATIONAL INCOME.

2. VREDELING'S PROVISIONAL BUDGET PROPOSES REORGANIZATION OF DEFENSE DEPARTMENT AND ALSO INCLUDES ONE-HUNDRED MILLION GUILDERS FOR PREPARATION FOR REPLACEMENT OF STARFIGHTER (ALTHOUGH BUDGET MEMORANDUM NOTES THIS DECISION TO BE MADE IN CONTEXT OF NATO SPECIALIZATION STUDY). VREDELING ANNOUNCED U.S. TOW MISSILE WILL BE INTRODUCED AT BATTALION LEVEL AND POSSIBILITY OF EQUIPPING DUTCH HELICOPTERS WITH ANTI-TANK WEAPONS. DEFENSE MINISTER ANNOUNCED THE DECOMMISSIONING OF ONE CRUISER BY 1975 PROBABLY BEFORE ITS REPLACEMENT COULD BE COMMISSIONED AND ANNOUNCED REMOVAL OF ELEVEN MINESWEEPERS FROM FLEET AND SIX MINESWEEPERS FROM RESERVE. TWO SQUADRONS OF NAVAL AIRCRAFT WILL ALSO BE ABOLISHED IN 1974 REDUCING BY TWO THE NUMBER OF TYPES OF AIRCRAFT IN NAVY AIR ARM. END SUMMARY.

3. DEFENSE MINISTER VREDELING SUBMITTED 1974 BUDGET TO PARLIAMENT SEPTEMBER 18. IN EXPLANATORY NOTE ACCOMPANYING BUDGET DEFENSE MINISTER NOTES BUDGET IS PROVISIONAL PENDING PUBLICATION OF LIMITED OFFICIAL USE

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GOVERNMENT DEFENSE WHITE PAPER AROUND "TURN OF THE YEAR". 1974 DEFENSE EXPENDITURES PROJECTED AT 3.55 PERCENT OF ANTICIPATED NET NATIONAL INCOME. SIMILAR FIGURES WERE 3.61 PERCENT IN 1973, AND 3.67 PERCENT IN 1972. OVERALL DEFENSE EXPENDITURES IN 1974 ARE ESTIMATED AT 5.866 BILLION GUILDERS OF WHICH 1.43 BILLION WOULD GO TO NAVY, 2.83 BILLION TO ARMY AND 1.35 BILLION TO AIR FORCE. CIVIL DEFENSE EXPENDITURES WOULD RUN 18.3 MILLION. 288.9 MILLION IS UNALLOCATED. OPERATIONAL EXPENDITURES ARE BUDGETED AT

4.66 BILLION GULDERS OF WHICH 1 BILLION IS EARMARKED FOR NAVY,
2.2 BILLION FOR ARMY AND 1.135 BILLION TO THE AIR FORCE. 1.007
BILLION IS ALLOCATED FOR EQUIPMENT PURCHASES.

4. REORGANIZATION: DEFENSE MINISTER ANNOUNCED CHAIRMAN OF JOINT
CHIEFS OF STAFF COMMITTEE WOULD BE REPLACED BY A CHIEF OF
DEFENSE STAFF. DIRECTOR GENERALS WILL BE APPOINTED AT DEFENSE
MINISTRY FOR PERSONNEL, MATERIEL, ECONOMICS AND FINANCE. THE
CHIEF OF DEFENSE STAFF AND DIRECTOR GENERALS WILL BECOME CHAIRMEN
OF THE JOINT CHIEFS OF STAFF COMMITTEE, PERSONNEL COUNCIL, MATERIEL
COUNCIL, AND FINANCIAL COUNCIL WHICH ARE ALREADY IN BEING.
NAVY COUNCIL, ARMY COUNCIL, AND AIR FORCE COUNCIL WILL FUNCTION
AS DEPARTMENTS OF DEFENSE COUNCIL, COORDINATING BODY WHERE MAJOR
POLICY DECISIONS WILL BE MADE AND LONG RANGE PLANNING ACCOMPLISHED.
DEFENSE COUNCIL CHAIRMAN WILL BE THE MINISTER. MEMBERS WILL
INCLUDE TWO STATE SECRETARIES, SECRETARY GENERAL OF DEFENSE
MINISTRY, CHIEF OF DEFENSE STAFF, THREE DIRECTOR GENERALS AND
CHIEFS OF STAFF OF VARIOUS BRANCHES OF ARMED FORCES.

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5. AIR FORCE STARFIGHTER REPLACEMENT: VREDELING'S EXPLANATORY NOTE SAYS THAT WHILE STARFIGHTER CAN OPERATE UNTIL END OF SEVENTIES AND POSSIBLY BEGINNING OF EIGHTIES PROVIDING SOME MODIFICATIONS ARE MADE "THEY ARE EVEN NOW NO LONGER COMPLETELY SUITABLE FOR CERTAIN ASPECTS OF THE TASKS TO BE PERFORMED BY THESE AIRCRAFT AFTER CHANGES IN STRATEGY." ONE-HUNDRED MILLION GUILDERS HAS BEEN EARMARKED FOR PREPARATION OF REPLACEMENT OF STARFIGHTER, BUT ANY REPLACEMENT DECISION WILL TAKE INTO ACCOUNT RESULTS OF NATO SPECIALIZATION STUDY. FYI GON HAS ASKED SAAB, DASSAULT AND NORTHROP TO EXTEND OFFER FOR STARFIGHTER REPLACEMENT FOR SIX MONTHS PENDING RESULTS OF SPECIALIZATION STUDY. END FYI
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6. ARMY: ARMY EMPHASIS WILL BE ON REPLACEMENT OF OBSOLETE EQUIPMENT. THE AMERICAN TOW MISSILE ALREADY ORDERED FOR USE AT BRIGADE LEVEL WILL BE INTRODUCED AT BATTALION LEVEL. IT IS ALSO POSSIBLE DUTCH HELICOPTERS WILL BE EQUIPPED WITH ANTI-TANK WEAPONS. NEGOTIATIONS WILL ALSO CONTINUE ON POSSIBLE PURCHASE OF ERLIKON 35MM ANTI-AIRCRAFT GUNS WITH RADAR CONTROL BASED ON LEOPARD CARRIERS. PROTOTYPE AMX VEHICLES WILL BE TESTED THIS YEAR MAKING POSSIBLE ORDERS IN 1974.

7. NAVY: THE CRUISER DE ZEVEN PROVINCIEEN WILL BE DECOMMISSIONED IN 1975 EVEN THOUGH ITS REPLACEMENT, A GUIDED MISSILE FRIGATE, WILL PROBABLY NOT BE COMMISSIONED BEFORE THAT TIME. IN ADDITION TO THREE REMOVED FROM SERVICE 1973, ADDITIONAL ELEVEN BEEMSTER CLASS MINESWEEPERS WILL BE REMOVED FROM THE FLEET BEFORE JANUARY 1977. SIX MINESWEEPERS OF WILDERVANK CLASS, WHICH HAVE BEEN PART OF FLEET RESERVE, WILL BE DECOMMISSIONED. DEFENSE MINISTER ADMITTED RESULTING STRENGTH OF MINESWEEPING FLEET WILL BE LOWER THAN IS REQUIRED IN VIEW OF WAR TASK WHICH IS TO KEEP NAVIGATION CHANNELS CLEAR OF MINES, BUT WITH VIEW TO PRIORITIES IT HAS BEEN DECIDED TO ACCEPT CERTAIN RISKS IN THIS RESPECT. TWO MORE SQUADRONS OF NAVAL AIRCRAFT WILL BE ABOLISHED IN 1974 REDUCING BY TWO THE NUMBER OF AIRCRAFT TYPES IN USE IN NAVY.

8. PERSONNEL POLICY: DEFENSE MINISTER PROMISED DYNAMIC AND COHERENT PERSONNEL POLICY IN TUNE WITH GREATER DEMANDS FOR DEMOCRATIZATION, PARTICIPATION, PERSONAL DEVELOPMENT AND FREEDOM OF SPEECH. THESE DEMANDS WILL BE WEIGHED AGAINST REQUIREMENT FOR HIERARCHICAL AUTHORITY AND DISCIPLINE. VREDELING ALSO PROMISED CONSIDERATION OF LEGAL POSITION AND SOCIAL SECURITY REQUIREMENTS

OF ARMED FORCES PERSONNEL. DEFENSE WHITE PAPER WILL ALSO ADDRESS RESULTS OF ON-GOING STUDY ON REDUCTION OF TERM OF NATIONAL SERVICE FROM 18 TO 12 OR 14 MONTHS.

9. COMMENT: AS REPORTED REF A THERE HAS BEEN CONSIDERABLE DISAPPOINTMENT WITH DEFENSE BUDGET, DESPITE ITS PROVISIONAL NATURE, WITHIN LABOR PARTY AND PPR SINCE THEY CONSIDER EXPENDITURES STILL TOO HIGH. CONFESSIONAL PARTIES WHICH CAN MAKE OR BREAK COALITION HAVE REACTED POSITIVELY. OPPOSITION LIBERALS HAVE SAID NEXT TO NOTHING ABOUT DEFENSE AND HAVE ELECTED TO CONCENTRATE FIRE ON DOMESTIC PROPOSALS IN NEW BUDGET. THUS AS FORESHADOWED LIMITED OFFICIAL USE

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REF B, DEFENSE HAS NOT FARED THAT BADLY WITH GOVT FALLING FAR SHORT OF 365 MILLION GUILDER DEFENSE SAVINGS PROJECTED IN LEFT WING ELECTION PLATFORM AS FIRST STEP TOWARD 1.5 BILLION CUT BY 1976. NEVERTHELESS PROVISIONAL NATURE OF BUDGET, EMPHASIS ON SPECIALIZATION STUDY AS DEUS EX MACHINA WHICH WILL SOMEHOW SOLVE ALL DUTCH DEFENSE PROBLEMS AND COMMITMENT TO ABANDONING CONCEPT OF DEFENSE EXPENDITURES AS PERCENTAGE INCORPORATING INCREASES IN NET NATIONAL INCOME ARE OBVIOUSLY DISQUIETING. MISSION WILL BE DISCUSSING BUDGET IN MOD AND MFA AND WILL BE REPORTING IN MORE DETAIL IN SUBSEQUENT MESSAGE.
TANGUY

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